

City of Bethel

Assessment of Management Capacity Indicators

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Introduction

The City of Bethel report was by Rural Utility Business Advisor program staff Eli Jacobson as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Bethel regional office regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Bethel operates and manages the following utility services:

- Piped water/wastewater service
- Truck delivery of water/wastewater service
- Solid waste removal

Capacity Indicators

On May 21-22, 2014, RUBA staff Eli Jacobson met with City of Bethel staff to complete a RUBA Assessment of Management. City of Bethel staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Notes from the RUBA assessment field survey form.
- The FY14 budget and a copy of the amendment non-code ordinance dated February 26, 2014.
- Monthly financial reports from February, March, and April 2014.
- Authorization to Request Federal Tax Information covering January 2010 through March 2014.
- Title 13 Public Services from the Bethel code of ordinances.
- Phone correspondence with the State Department of Labor on June 2, 2014.
- The January-February 2014 Lien Watch A Review of Small Community Liens.
- Employers Notice of Insurance (Alaska Municipal League Joint Insurance Association) for the period from July 1, 2013 through June 30, 2014.
- Job descriptions for the city manager, city clerk, finance director, and public works director.
- Title 3 Personnel Rules and Regulations from the Bethel code of ordinances.
- The collective bargaining agreement between the City of Bethel and the City of Bethel Employees Association, Local 6055, APEA/AFT July 1, 2011-June 30, 2014
- The Significant Non-Compliers website dated April 2014.
<http://dec.alaska.gov/eh/dw/dwmain/SNC.htm>

Finances

Essential Indicators

Yes No

- ☒ ☐ All revenues and expenses for the utility are listed in the utility budget.
- ☒ ☐ The utility has adopted a balanced realistic budget.
- ☐ ☒ Monthly financial reports are prepared and submitted to the policy making board.
- ☒ ☐ The utility is current in paying all water/wastewater electric bills.
- ☒ ☐ The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
- ☐ ☒ The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

Yes No

- ☐ ☒ The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs.
- ☐ ☒ YTD revenues are at a level equal to or above those budgeted.
- ☐ ☒ YTD expenditures are at a level equal to or below those budgeted.
- ☒ ☐ A monthly manager's report is prepared.
- ☒ ☐ Budget amendments are completed and adopted as necessary.

The City of Bethel uses Caselle computer softwear to create its budget and monthly financial reports. The city has a fiscal year (FY) starting on July 1 and ending on June 30. The FY14 budget was adopted on May 14, 2013, is 112 pages long, and does not contain a summary of all expenses and revenues. To get the total of the revenue and expenditures the finance director had to manually add up all department summaries. This is further complicated because the departments use different summary formats. Also, the department expense and revenue summaries are not labeled consistently, which forces the reader to make assumptions about what the document means. Additionally, line items in the department are not labeled consistently. The finance director calculated total city revenue at \$23,591,240 and expenditures of 23,371,871 leaving a positive balance of \$219,369. However, the budget does not directly state this. The water/wastewater utility department records summary revenue of \$5,948,373 and expenditures of

\$6,345,951 causing a deficit of \$397,578. Therefore, the utility has to be subsidized, but the budget does not show where the subsidy comes from. The budget also contains several columns and appendices such as the FY10 actual, FY11 actual, FY12 actual, FY13 budget, FY13 amended budget, Management Salary Schedule, and the City of Bethel Wage Scale. The inclusion of these documents further complicates understanding of the current year's budget. The monthly financial reports do not have the same budgeted amounts for departments as the city budget. The departments are also divided up differently in the monthly financial report than the budget and therefore cannot be used to accurately compare year-to-date revenues and year-to-date expenditures with annual budgeted amounts. Alaska Village Electric Cooperative (AVEC) bought the Bethel Utility Corporation and became Bethel's only electrical provider at the beginning of May 2014. The city pays its electrical bills to AVEC and is current on all accounts. The city has a budget total of \$464,000 for fuel oil for both water treatment facilities and fuel is available locally. The city has a budgeted amount of \$135,000 titled fleet replacement for the utility trucks. However, the city does not have a repair and replacement fund established for either of the water treatment facilities. Since the monthly financial reports do not have the same budgeted amounts for departments as the city budget, accurate year to date revenues and expenditures cannot be determined from the report. Written monthly manager reports are given to the council at regular meetings, verbally explained, and recorded in the meeting minutes. The council makes amendments to the budget when deemed necessary

Accounting Systems

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a collection policy and actively follows it. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts payable system is in place. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The payroll system correctly calculates payroll and keeps records. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A cash receipt system is in place that records incoming money and how it was spent. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a cash disbursement system that records how money was spent. |

Sustainable Indicators

Yes No

- ☒ ☐ A chart of accounts is used that identifies categories in a reasonable, usable manner.
- ☒ ☐ Monthly bank reconciliations have been completed for all utility accounts.
- ☒ ☐ The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

The adopted utility policy is found in chapter 13 of the Bethel municipal code. Residential customers are billed in one of four ways. Approximately 30 percent of residential customers are on unmetered piped water/wastewater. These customers are billed a flat rate of \$125.08 per month regardless of usage. The remaining 70 percent of residential customers pay per delivery/removal. The amount billed is based on the water tank size and not the actual amount of water delivered and wastewater removed. The utility trucks do not meter the amount delivered. The wastewater removal is based on the water tank size. Also, a five dollar monthly subscription fee is charged for both water and wastewater services for a total of ten additional dollars per month. The solid waste bill of \$15 per month is also included on this bill. City employees are charged a flat rate of \$115 per month. If the employee is on delivered water they can receive up to three deliveries a week. If the employee is on piped water, the amount is unlimited. Commercial customer's piped water/wastewater is metered. The rate is set at \$26.50 per 1,000 gallons. For comparison, a residential customer on delivered service that has a 1,000 gallon water tank and receives water/wastewater service once a week is charged \$344.57 per month for a total of 4,000 gallons. A commercial customer will only pay \$230.96 for 4,000 gallons. A residential customer that is on piped water/waste water receives an unlimited amount for a flat rate of \$159.00. City employees pay only \$115 for either unlimited piped water/wastewater or up to 10,000 gallons of delivered water. Customer accounts and past due amounts are tracked with Caselle softwear. The city has a complete list of vendors that money is owed to. Payroll is contracted out to the Caselle Company. All incoming money is recorded in Caselle and the customer is given a receipt. All out going money amounts and what the money was spent on is also recorded in Caselle. The city has a chart of accounts. Monthly bank reconciliations are completed after statements come out for all utility accounts. Individual department heads approve purchases up to the amount of the department's budget.

Tax Problems

Essential Indicators

Yes No

- ☒ ☐ The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- ☒ ☐ The utility is current on filing tax reports.
- ☒ ☐ The utility is current on making tax deposits.
- ☒ ☐ If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

On June 16, 2014, the IRS deemed the City of Bethel compliant with federal tax requirements. On June 3, 2014 the state Department of Labor (DOL) was contacted. DOL verified that the City of Bethel is current on their Employment Security Contributions account. The City of Bethel is not on the Lien Watch dated January-February 2014.

Personnel System

Essential Indicators

Yes No

- ☒ ☐ The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

Yes No

- ☒ ☐ The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- ☒ ☐ The utility has adequate written job descriptions for all positions.
- ☐ ☒ The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- ☐ ☒ The utility has an adequate written hiring process.
- ☒ ☐ The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- ☒ ☐ The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- ☒ ☐ The utility provides training opportunities to staff as needed and available.

Bethel's workers compensation insurance is through the Alaska Municipal League Joint Insurance Association for the period from July 1, 2013 through June 30, 2014. Proof of coverage is posted in the city office. The City of Bethel has adopted a personnel policy which is found in chapter three of the Bethel municipal code. In addition to the municipal code, city employees work under the "Collective Bargaining Agreement Between The City of Bethel and The City of Bethel Employees Association, Local 6055, APEA/AFT July 1, 2011-June 30, 2014." The city has written job descriptions for all positions. Copies were provided for the city manager, city clerk, finance director, and public works director. Article 7 in the bargaining agreement describes performance evaluations in general terms, but does not tie specific jobs to a specific evaluation. The city does not have a written hiring policy. The city personnel folders include I-9s, job applications, and the equivalent of letters of acceptance for every employee. The city has a 180-day probationary period. On-the-job training and additional training opportunities are provided as necessary.

Organizational Management

Essential Indicators

Yes No

- ☒ ☐ The entity that owns the utility is known; the entity that will operate the utility is set.
- ☒ ☐ The policy making body is active in policy making of the utility.
- ☒ ☐ The policy making body enforces utility policy.
- ☒ ☐ The utility has an adequately trained manager.
- ☒ ☐ The utility has an adequately trained bookkeeper.
- ☒ ☐ The utility has an adequately trained operator or operators.
- ☒ ☐ The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

Yes No

- ☒ ☐ The utility has adopted an organizational chart that reflects the current structure.
- ☒ ☐ The policy making body meets as required.
- ☒ ☐ The utility complies with the open meeting act for all meetings.

The City of Bethel owns the utility and the city council is the policy making body. The council is active in policy making and is currently going through the process of raising water/wastewater rates. The utility sends out bills on the fifth, and late notices on the twenty-fifth of each month. If the customer has not paid within fifteen days of the late notice, service is discontinued. A fee is charged to reactivate service. The public works director performs managerial duties for the utility. The finance department has multiple employees that take care of bookkeeping duties. The operators attend training regularly. The utility has adopted the necessary ordinances to give it the authority to operate. The city has an organizational chart that shows the lines of authority. The policy making body meets the second and fourth Tuesday of each month, and the city clerk posts meeting notices in the City Hall, Post Office, Swanson's Grocery, the AC Store and on the city website six days in advance.

Operation of Utility

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|---------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

Sustainable Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a safety manual and holds safety meetings. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are unresolved. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The operator provides status reports to the manager on a routine basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has completed and distributed its "Consumer Confidence Report". |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is not on the "Significant Non-Complier" (SNC) list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains an inventory control list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains a critical spare parts list. |

There are four operators working at the two treatment plants. The head operator has 16 years' experience and has the certifications water treatment level 3, water distribution level 2, wastewater collection level 1, and wastewater treatment level 1. This meets or exceeds all of Bethel's utility system type/class requirements. The head operator coordinates the training and continuing education units for all the operators. The utility has a preventative maintenance plan in ledger form that is routinely gone over and checked off. The head operator reports regularly to the public works director. The director reports this information to the city manager and city council. The director also spot checks the water treatment plants. The utility does not have a safety manual or hold regular safety meetings. The facilities have not suffered any major problems or outages. The utility is operating at the level of service originally purposed and was built to meet a much higher demand to accommodate several years of population growth. A CCR is posted at the water plants. The city is not on the SNC list dated February 2014. The plant keeps a substantial amount of inventory and spare parts in the two plants, but does not have written inventory control or spare parts lists.

Essential Recommendations

The City of Bethel has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- Submit monthly financial reports that compare year-to-date revenues and year-to-date expenditures with the annual budgeted amounts to the city council and record them in the meeting minutes.
- Document the revenues being used to subsidize the utility operating expenses.

Sustainable Recommendations

The City of Bethel has not met all of the sustainable capacity indicators. The City of Bethel can work to improve sustainable indicators as follows:

- Create a separate account for depositing sufficient revenues to cover repair and replacement costs, and show this in the line items on the budget.
- Ensure that revenues are at a level equal to or above those budgeted.
- Ensure that expenditures are at a level equal to or below those budgeted.
- Adopt a written personnel evaluation process that ties the job description to the evaluation.
- Create a written hiring policy.
- Create a safety manual and conduct regular safety meetings that are recorded.
- Create a written inventory control list.
- Create a written critical spare parts list.

Conclusion and Next Step

By implementing the above recommendations, the City of Bethel will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The City of Bethel staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.

By implementing the above recommendations, the City of Bethel will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment. The City of Bethel staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability. RUBA staff is available to provide assistance for any capacity indicators that are not being met.